

Budget 2005

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Moving Towards a Green Economy

February 23, 2005

Canada

A Better Environment—A Stronger Economy

The Government of Canada believes that a healthy and sustainable environment is an integral part of economic growth. Since balancing the budget in 1997–98, the Government has allocated more than \$10 billion to enhance the quality of our land, air and water by addressing climate change, cleaning up contaminated sites, developing and enforcing environmental protection laws, and investing in environmental technologies.

Budget 2005 builds on these substantial measures taken over the last few years to improve the environment and address climate change. It takes significant new steps forward on a number of different fronts.

Budget 2005—Delivering on Commitments

Budget 2005 delivers on the Government's commitment to a green economy with a \$5-billion package of measures over the next five years to support a sustainable environment by:

- 1 Addressing climate change by promoting reductions in greenhouse gas (GHG) emissions and encouraging the development of environmental technologies.
- 2 Building on existing tax measures to encourage Canadian businesses to invest more in efficient and renewable energy generation.

- 3 Investing in public infrastructure to encourage more efficient use of energy as well as the remediation of brownfield sites.
- 4 Protecting our natural environment, including the Great Lakes, oceans and national parks.

1 Addressing Climate Change

This budget makes significant investments aimed at reducing GHG emissions, and developing science and technology that will help build the framework for a comprehensive and sustainable response to the challenge of climate change.

Specifically, this budget provides:

- \$1 billion over five years for the Clean Fund to encourage cost-effective projects and actions that reduce greenhouse gas emissions.
- \$250 million to create a Partnership Fund for projects that are best achieved through cooperation between the federal government, and provinces and territories.
- \$225 million over five years to quadruple the number of homes retrofitted under the EnerGuide for Houses Retrofit Incentive program (see box).
- \$200 million over five years to help develop a Sustainable Energy Science and Technology Strategy.
- \$200 million over five years to further stimulate the use of wind power through the Wind Power Production Incentive.

- \$97 million over five years for a new Renewable Power Production Incentive to encourage the use of other renewable energy technologies such as small hydro, biomass and landfill gas.

These initiatives will allow individuals, industry and governments to play an active role in addressing climate change.

While helping curb Canada's GHG emissions, the initiatives will promote Canadian technologies and innovation while opening the door to new economic opportunities.

The EnerGuide for Houses Program

The EnerGuide for Houses program is designed to help homeowners reduce their energy consumption. The program offers grants for people who improve the energy rating of their houses, based on a simple, 100-point scoring system called the EnerGuide.

So far, grants average \$630 per home in addition to an average of 27 per cent savings on home energy bills every year.

On a \$2,400-per-year energy bill, this translates into more than \$600 in savings.

2 Environmental Tax Measures

The tax system has encouraged investment by businesses in efficient and renewable energy generation equipment through an accelerated 30 per cent capital cost allowance rate.

Efficient Renewable Energy Generation Equipment

The capital cost allowance (CCA) system determines how much of the cost of a capital asset a business may deduct in a particular year.

In order to encourage the generation of more environmentally friendly forms of energy, the Government provides an accelerated capital cost allowance for certain equipment that produces energy efficiently or from renewable sources.

The list of eligible equipment includes, among others: cogeneration equipment, wind turbines, small hydroelectric facilities, and geothermal energy systems.

Budget 2005 enhances this support by:

- Increasing the CCA rate to 50 per cent from 30 per cent for environmentally friendly forms of energy.
- Extending this incentive to include district energy and biogas production systems.

Enhanced incentives in this area will contribute to reduced GHG emissions, better air quality and a more diverse energy supply.

The Government will consult on other opportunities to use the tax system to further environmental objectives.



3 Investing in Public Infrastructure

Budget 2005 targets a series of infrastructure-related investments to achieve better environmental outcomes through two complementary streams:

Sustainable Environment

- \$300 million for the Green Municipal Funds, \$150 million of which will be used to help communities clean up and redevelop brownfields, which are abandoned sites where environmental contamination exists.

Sustainable Communities

- The equivalent of \$5 billion over five years out of federal gas tax revenues to municipalities for infrastructure projects like transit, water and community energy systems.
- The renewal of infrastructure programs such as the Canada Strategic Infrastructure Fund and the Municipal Rural Infrastructure Fund, which invest more than 50 per cent of funding toward sustainable infrastructure.

4 Protecting Our Natural Environment

Canadians are proud of the beauty and quality of their natural environment and want to protect this rich inheritance of land, water and biodiversity.

Budget 2005 delivers on this commitment to the environment by providing:

- \$209 million over five years to improve public infrastructure in Canada's national parks.
- \$60 million over five years to restore the ecological integrity of our national parks.
- \$85 million over five years to minimize the risk of invasive alien species such as the sea lamprey in the Great Lakes.
- \$40 million over five years to improve the ecological integrity of the Great Lakes ecosystem.
- \$28 million over two years to help develop a competitive and sustainable Oceans Action Plan.
- \$15 million annually to discourage foreign overfishing in the Northwest Atlantic.
- An additional \$90 million over five years to conduct health risk assessments and research to reduce Canadians' exposure to toxic substances.

Guiding Principles for Long-Term Progress

The following principles guide the Government of Canada's decisions in allocating funds for various environmental and climate change measures:

Balance: Investments must balance the need for short-term action to protect our natural environment and long-term measures to spur change in public behaviour and business practices.

Competitiveness: Environmentally sustainable economic growth is essential to Canada's long-term international competitiveness, but the transition to a more sustainable economy must also weigh carefully the impact on the country's short-term competitiveness.

Partnership: To the greatest extent possible, investments should lever funds outside the Government of Canada and encourage responses from industry, citizens and other levels of government.

Innovation: Investments should promote innovation and support new technologies that feed economic growth, create new opportunities and provide long-term improvements.

Cost-effectiveness: Initiatives should achieve environmental benefits at the lowest possible cost.

Allocation of Proceeds From the Sale of the Government's Petro-Canada Shares

The Government of Canada is delivering on its commitment to dedicate \$1 billion of the proceeds from the sale of Petro-Canada shares directly to investments to support the development and deployment of environmental technologies over the next five years.

Sustainable Development Technology Canada	\$200 million
Wind Power Production Incentive	\$200 million
Renewable Power Production Incentive (over six years)	\$170 million
Sustainable Energy Science and Technology Strategy	\$200 million
Clean Fund	\$230 million
Total	\$1 billion

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